

Summary

The Safety and Security industry in Dominican Republic had its beginning in the early 1970's, with the establishment of the Wackenhut franchise for security guard services. The National Detective Bureau and Dominican Watchman National firms quickly followed suit. Today, there are over 100 companies providing security services, including guards, alarms monitoring, protection (body guards), among other services.

Crime is on the increase throughout the Dominican Republic. The Dominican government recently reported that crime rates increased during the last two quarters of 2004 when compared to 2003. This reality - linked to an unemployment rate that has reached 18 percent - directly impacts the local safety and security industry.

There are no official statistics on the security service sector as a whole, but it is estimated that the sector grew 10 percent in 2004 alone. In the alarms sub-sector alone, the market grew by 5 percent in 2004.

U.S. Market share in the alarm systems and parts has been approximately 45% for the last three years. Industry contacts expressed a preference for U.S. products due to quality and after-sales service.



Market Overview

The Dominican economy deteriorated in 2003 when GDP dropped to -0.4%, inflation reached 43% and the exchange rate reached an all-time high of RD\$50 to US\$1. However, a new administration was sworn into office in 2004. There is a commitment by the new Fernandez administration to reestablish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew in 2004 by two percent and (as of this writing) the Dominican peso has appreciated to approximately RD\$29 to US\$1.

In the last three years, the Dominican Republic has experienced a significant increase in crime. As a result, there has been a dramatic growth in the Dominican private security services industry affecting the composition of the sector. Citizens recognized the lack of resources by the National Police to adequately protect property and human lives and properties.

At the same time, advancement in technology is restructuring the industry approach to security, in particular, the replacement of guard services with electronic surveillance, with alarms and closed circuit televisions. This is evident in the retail industry where a variety of high tech, cost effective and stealth electronic security devices are being used.



Dominican society is extremely concerned with its safety and security. New strategies on how to better secure personal property, sensitive areas and installations, as well as personal safety are continuously being developed. There is a strong demand in the market for security training and security management, due to sub-standard training and skills of the several local private security companies. The private sector is the major end-user of safety and security systems, equipment and services.

There is also a strong demand for identification and access control equipment and services, monitoring and control devices, video monitors, camera warning and signaling devices, personal protection devices, emergency response vehicles and investigative equipment and services; and the associated training needed for the proper use of these systems.



The Dominican market offers good opportunities for U.S. alarm systems and equipment firms. U.S. security equipment and services enjoy a positive reputation in the DR. Currently there are two American companies offering security guard services in the Dominican Republic, Inter-Con Dominicana and Wackenhut Dominicana, serving principally the major private companies in the country.

There are over 50 providers of alarm monitoring services country-wide, serving over 10,000 accounts. Around 20% of the alarms monitoring providers operate their own armed guard patrol response; the rest 80% subcontract those services and/or receive support from local police. The alarm companies are not regulated, but oversee by the Dominican Republic Armed Forces' Private Security Superintendence.

Most of the Dominican companies involved in the alarm sector use and represent several U.S. brands.

Import Market

In 2004, total U.S. alarm systems and parts exports to the Dominican Republic increased 12% over 2003, from \$372,000 to \$419,000. Total imports of alarm systems and parts in 2003 were US\$823,600, increasing to US\$865,200 in 2004.

Statistical Data

(Thousands of U.S. Dollars)

| | 2002 | 2003 | 2004 |
|------------------------|-------|-------|-------|
| Total Market Size | 691.7 | 823.6 | 865.2 |
| Total Local Production | 0 | 0 | 0 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 691.7 | 823.6 | 865.2 |
| Imports from the U.S. | 347.3 | 372.0 | 419.1 |

Exchange Rate used: RD\$28 – US\$1

The above statistics are unofficial estimates.

End-user receptivity to U.S. products/services in Dominican Republic is high; however the Dominican market is extremely price sensitive, and price continues to be the principal factor in selection.

The main markets exporting alarm systems and other detection equipments to the Dominican Republic are:

| | |
|---|------------|
| United States of America | 45% |
| Far East (Korea, China, Taiwan and Hong Kong) | 35% |
| European (Germany, Spain and Italy) | 10% |
| Japan | 8% |
| Others | 2% |

The U.S. market share is 45% percent of the total imports. U.S.-made products enjoy an excellent reputation in Dominican Republic, especially in the private sector and with the armed forces, for their quality standards, reliable delivery dates and good after-sales services.

Some of the safety and security equipment and/or services, including alarm systems present in the Dominican market with local representatives are as follows:





GE Interlogix Products, Casi-Rusco, Sentrol, Aritech, Caddx, Kalatel, Fiber Options, Osborne-Hoffman, Checkpoint, NVT, Inovonics, A. Rifkin Co., Tiscor, Loronix; Panasonic; Philips; Pelco, Rokonet, Ademco, FBII, Javelin, DSC, Everfocus, Keri Systems, Napco, Linear, Ranger, Silent Knight, Tane, Mg Electronics, And Union Batteries, Caddx, ITI, Inovonics, among others.

Market Access

Many local experts feel that aggressive trade promotion is critical in maintaining and increasing the U.S. market share for security and safety products. To maintain or improve its market share, U.S. firms should focus on offering competitive export prices and credit terms along with aggressive promotional support to their representative.

Marketing strategies used by successful companies include mass advertisement in television, magazines, newspapers, and radio. Special security media supplements are periodically published.

There are no significant trade barriers impeding exports to the Dominican Republic. The dollar exchange rate is responsive to market forces.

There are no regulations for the enforcement of quality, technical, or safety standards. U.S. standards are currently accepted and respected by the purchasing entities.

Although the import tariff rate for this kind of equipment is three percent over the CIF value, the effective tax rate can go over 20 percent. This is a result of the application of other taxes such as the 16 percent value added tax (ITBIS), and the exchange surcharge tax of 13 percent.

Direct Imports Costs Template

| Base Price | US\$100.00 |
|---|--------------|
| Exchange to pesos (US\$1.00=RD\$28.56*) | RD\$2,856.00 |
| (*) Official Exchange rate at Dominican Customs | |
| Freight & Insurance (average 8%) | RD\$228.48 |
| Dutiable Base = CIF in RD\$ pesos | RD\$3,084.48 |
| 3 percent Duty Rate (**Arancel) | RD\$95.54 |
| - Exchange surcharge 13 of CIF | RD\$400.98 |
| VAT Base | RD\$3,581.36 |
| VAT=ITBIS 16 percent | RD\$572.96 |
| | RD\$4,154.32 |
| Freight Forwarders fees (1.5% on CIF) | RD\$46.27 |
| Bank Charges: | RD\$61.69 |
| - Draft of letter of credit 2% of CIF | |
| | |
| Landed Cost | RD\$4,262.28 |
| | US\$149.23 |

(**) All taxes are collected in Dominican pesos.





Exporters seeking to enter the Dominican Republic market should consider appointing an agent, or distributor with experience in this market. Such experience should include a clear understanding of the latest technology. They should be well connected in the industry to enable them to find new projects and purchasing interests, have solid trade background and a good network of distributors within the market. U.S. exporters are well regarded in the local market due to their high quality products and their compliance with delivery dates.

However, they could increase their success by offering better support to the local agent/distributor, providing literature in Spanish with clear and detailed product information. U.S. firms should also assist their agent/distributor with market promotion to facilitate penetration, invite them to visit their plant and installations and offer high quality training. As mentioned before, while U.S. products are considered of excellent quality, the Dominican Republic market expects good prices, state-of-the-art technology, and reliable follow-up services.

Before appointing an agent or distributor in the Dominican Republic, or registering a firm as a foreign investment, U.S. firms should seek legal counsel, and are advised to become familiar with the Dominican Agents and Distributors Protection Law (Law 173 dated April 6, 1966). Interested companies may also request a copy of Law 173 from the U.S. Commercial Service at the U.S. Embassy in Santo Domingo.

The U.S. Commercial Service, an agency of the U.S. Department of Commerce, is a global network committed to supporting U.S. commercial interests around the world.

The U.S. Commercial Service offers comprehensive, customized solutions to your international trade challenges and provides export promotion assistance through a variety of products and services. The U.S. Commercial Service office in Santo Domingo is the regional headquarters for Commerce Department programs in the Caribbean.

For information on our products and services please visit our website
www.buyusa.gov/caribbean .

Author: Sheila de Andujar, Commercial Specialist – CS Santo Domingo

Date of Report: June, 2005

Phone: (809) 227-2121 ext 222 **Fax:** (809) 920-0267

E-mail: sheila.andujar@mail.doc.gov **Web:** www.buyusa.gov/caribbean

